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# SERVICE SECTOR INDICATORS

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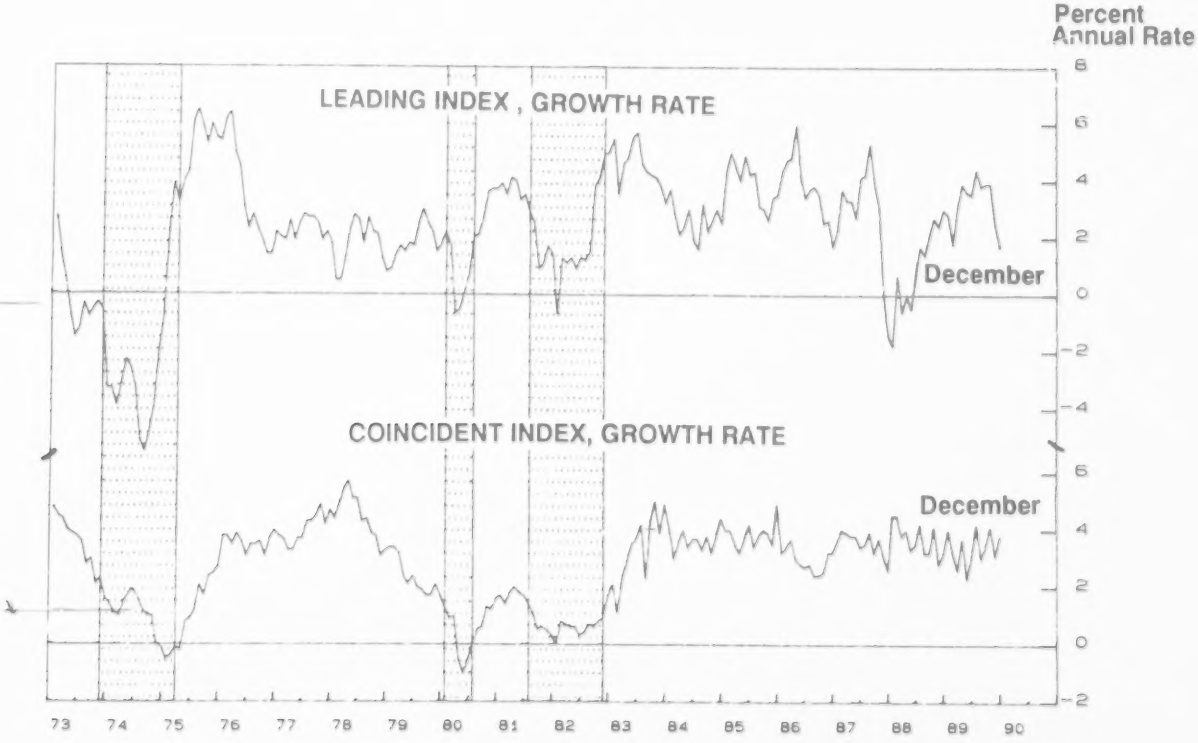
## WEAKNESS AHEAD IN SERVICE SECTOR

The leading index of service sector activity, compiled by the Columbia Business School's Center for International Business Cycle Research, fell again in December, lowering its smoothed annualized growth rate from a revised 2.5% in November to just 1.7% in December. The drop was due to a fall in construction contracts for commercial buildings, in the average workweek and profit margins in the service sector, offset in part by a small rise in stock prices in services.

However, the coincident index of service sector activity rose, while its smoothed annualized growth rate climbed from a revised 3.1% in November to 3.8% in December. This advance reflects earlier strength in the services leading index, and was caused by rises in personal consumption expenditures, employee hours and labor income in services.

With the growth rate of the services leading index down substantially from its July high of 4.4%, a slowdown in the growth of service sector activity in the near term now appears likely.




Shaded areas represent business cycle recessions.

## LEADING INDEX OF SERVICES, AND COMPONENTS

| | Leading Index* (1967=100) | Leading Index Growth Rate (%) | Average Workweek, Services (hours) | Construction Contracts, Commercial Buildings (mil. sq. ft., ann. rate) | S&P Stock Price Index, Services, (Mar. 87=100) | Index of Profit Margins, Services (1982=100) |
|---|---|---|---|---|---|---|
| | 1. | 2. | 3. | 4. | 5. | 6. |
| 1988: | | | | | | |
| Jan. | 147.2 | -1.8 | 32.84 | 746 | 82.3 | 111.7 |
| Feb. | 149.3 | 0.7 | 32.98 | 912 | 86.0 | 113.5 |
| Mar. | 148.4 | -0.6 | 32.69 | 825 | 87.5 | 113.4 |
| Apr. | 149.0 | 0.0 | 32.93 | 822 | 85.3 | 112.6 |
| May | 148.6 | -0.5 | 32.78 | 817 | 83.0 | 112.8 |
| June | 149.7 | 0.7 | 32.82 | 807 | 89.2 | 113.5 |
| July | 150.5 | 1.7 | 33.00 | 838 | 88.7 | 113.1 |
| Aug. | 150.3 | 1.4 | 32.76 | 864 | 87.9 | 114.2 |
| Sept. | 150.8 | 2.1 | 32.88 | 805 | 91.0 | 113.4 |
| Oct. | 151.3 | 2.7 | 32.96 | 768 | 94.3 | 112.5 |
| Nov. | 151.2 | 2.4 | 32.77 | 791 | 91.7 | 114.3 |
| Dec. | 151.9 | 3.0 | 32.91 | 801 | 92.9 | 113.8 |
| 1989: | | | | | | |
| Jan. | 152.1 | 2.8 | 32.95 | 871 | 95.2 | 111.6 |
| Feb. | 151.7 | 1.8 | 32.75 | 667 | 98.7 | 113.0 |
| Mar. | 153.0 | 3.1 | 32.81 | 781 | 98.5 | 114.6 |
| Apr. | 154.0 | 3.9 | 33.07 | 773 | 102.5 | 113.1 |
| May | 154.2 | 3.6 | 32.75 | 802 | 108.0 | 114.8 |
| June | 154.6 | 3.5 | 32.76 | 854 | 111.6 | 113.6 |
| July | 155.7 | 4.4 | 33.03 | 797 | 116.5 | 112.7 |
| Aug. | 155.7 | 3.8 | 32.72 | 742 | 121.9 | 114.8 |
| Sept. | 156.2 | 3.9 | 32.81 | 819 | 122.1 | 113.6r |
| Oct. | 156.7 | 3.9 | 32.95r | 795 | 122.6 | 113.0r |
| Nov. | 156.0r | 2.5r | 32.74r | 661 | 120.1 | 114.3r |
| Dec. | 155.7 | 1.7 | 32.68 | 652 | 120.6 | 113.2 |

## COINCIDENT INDEX OF SERVICES, AND COMPONENTS

| | Coincident Index* (1967=100) | Coincident Index Growth Rate (%) | Services Output, GNP (bil. 1982$, ann. rate) | Services, Personal Consumption Expenditures (bil. 1982$, ann. rate) | Services Labor Income (bil. 1982-84$ ann. rate) | Service Employee Hours (bil., ann. rate) |
|---|---|---|---|---|---|---|
| | 7. | 8. | 9. | 10. | 11. | 12. |
| 1988: | | | | | | |
| Jan. | 181.0 | 4.5 | 1844.4 | 1263.5 | 667.3 | 106.6 |
| Feb. | 181.6 | 4.5 | 1854.1 | 1264.7 | 666.2 | 107.6 |
| Mar. | 181.5 | 3.8 | 1856.9 | 1269.5 | 664.6 | 107.0 |
| Apr. | 182.2 | 4.0 | 1859.7 | 1269.1 | 668.5 | 108.1 |
| May | 182.1 | 3.3 | 1862.5 | 1270.8 | 667.0 | 107.8 |
| June | 182.8 | 3.5 | 1868.6 | 1278.6 | 667.0 | 108.5 |
| July | 184.0 | 4.2 | 1874.7 | 1283.9 | 672.2 | 109.7 |
| Aug. | 183.7 | 3.2 | 1880.8 | 1291.4 | 667.4 | 108.9 |
| Sept. | 184.2 | 3.2 | 1886.1 | 1285.6 | 674.2 | 109.2 |
| Oct. | 185.6 | 4.1 | 1891.4 | 1297.5 | 680.3 | 110.3 |
| Nov. | 184.9 | 2.8 | 1896.7 | 1292.6 | 672.6 | 110.0 |
| Dec. | 185.8 | 3.2 | 1899.5 | 1295.5 | 678.5 | 110.8 |
| 1989: | | | | | | |
| Jan. | 187.2 | 4.0 | 1902.3 | 1297.1 | 693.2 | 111.5 |
| Feb. | 187.0 | 3.2 | 1905.1 | 1311.7 | 683.7 | 111.2 |
| Mar. | 186.8 | 2.6 | 1910.0 | 1311.2 | 679.9 | 111.2 |
| Apr. | 188.4 | 3.7 | 1915.0 | 1315.7 | 690.5 | 112.5 |
| May | 187.5 | 2.3 | 1919.9 | 1318.4 | 681.4 | 111.5 |
| June | 188.8 | 3.1 | 1928.3 | 1322.9 | 691.8 | 112.2 |
| July | 190.4 | 4.2 | 1936.6 | 1327.4 | 702.4 | 113.2 |
| Aug. | 189.7 | 3.0 | 1945.0 | 1334.2 | 692.2 | 112.2 |
| Sept. | 190.7r | 3.5r | 1952.0 | 1337.7r | 700.4 | 112.8 |
| Oct. | 191.9r | 4.1r | 1958.9 | 1345.0r | 705.7r | 113.6 |
| Nov. | 191.4r | 3.1r | 1965.9 | 1346.9r | 697.7r | 113.3r |
| Dec. | 192.7 | 3.8 | --- | 1359.0 | 705.2 | 113.4 |

Note: Cols. 2 and 8. The growth rates are six-month smoothed percent changes at annual rate, based on the ratio of the current month's index to the average for the preceding twelve months.

r = revised.

Sources: 3. Bureau of Labor Statistics, Production and non-supervisory workers.

4. McGraw-Hill Company, F.W. Dodge Division. Seasonally adusted by CIBCR.

5. Standard & Poor's Corporation indexes for 13 service industries, compiled by CIBCR.

6. This series is constructed by CIBCR using the price deflator for services consumption, labor income, and an experimental monthly services output index developed by the Federal Reserve Board.

9, 10. Department of Commerce Bureau of Economic Analysis. Quarterly data for output are interpolated by CIBCR.

11. Bureau of Labor Statistics. Payroll index, 1977 = 100, converted to 1982-84 dollars by CIBCR, using CPI, All Urban Consumers, seasonally adjusted.

12. Bureau of Labor Statistics, all employees.

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